

RatingsDirect®

Illinois Outlook Revised To Developing From Negative On Pension Consensus; Series 2013 GO Debt Rated 'A-'

Primary Credit Analyst:

Robin L Prunty, New York (1) 212-438-2081; robin.prunty@standardandpoors.com

Secondary Contact:

John A Sugden, New York (1) 212-438-1678; john.sugden@standardandpoors.com

(**Editor's Note:** In the media release published earlier today, the outlook on the series 2013 general obligation bonds was incorrect. A corrected version follows.)

NEW YORK (Standard & Poor's) Dec. 10, 2013--Standard & Poor's Ratings Services revised its outlook on Illinois to developing from negative. In addition, we affirmed our 'A-' rating on the state's general obligation (GO) bonds outstanding. A developing outlook indicates that we could raise or lower the rating during the two-year outlook horizon.

"The change reflects the consensus reached on pension reform, which we believe could contribute to a sustainable path to fiscal stability," said Standard & Poor's credit analyst Robin Prunty. "Although we view the consensus achieved by Illinois on this difficult issue as positive from a credit standpoint, the developing outlook reflects the implementation risk -- legal and budgetary -- associated with various provisions of the pension reform, as well as the overall structural budget challenges facing the state," added Ms. Prunty.

At the same time, Standard & Poor's assigned its 'A-' rating and developing outlook to Illinois' GO bonds, series of December 2013.

In addition to normal budget pressures facing the state, the statutory reduction of current personal and corporate income tax rates on Jan. 1, 2015, highlights a difficult budget climate over the next two years. If pension

reform moves forward and the state takes credible action to achieve structural budget balance beginning in fiscal 2015, we believe a higher rating would be warranted. Conversely, if the pension reform is declared unconstitutional or invalid, or implementation is delayed and there is a lack of consensus and action among policy makers on the structural budget gaps and outstanding payables, we believe there could be a profound and negative effect on the state's budgetary performance and liquidity over the two-year outlook horizon. While a developing outlook is unusual for a state, it reflects the magnitude and scope of pension and budgetary issues facing Illinois.

RELATED CRITERIA AND RESEARCH

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Financial Management Assessment, June 27, 2006

Related Research

- U.S. State And Local Government Credit Conditions Forecast, Oct. 1, 2013

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.